

Message Text

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22

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /053 W

----- 102901

R 070800Z FEB 76

FM AMEMBASSY SANA

TO SECSTATE WASHDC 7285

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY JIDDA

AMEMBASSY CAIRO

AMEMBASSY KUWAIT

AMEMBASSY MUSCAT

C O N F I D E N T I A L SANA 0395

E.O. 11652: GDS

TAGS: PFOR, EFIN

SUBJ: SAUDI ARABIAN GOVERNMENT PAYS OFF YARG DEBT

BEGIN SUMMARY: SAG PAYS OFF YAR DEBT, UPPING AID DIS-
BURSED TO YAR THIS YEAR. END SUMMARY

1. SANA NEWSPAPPER AL-THAWRA ANNOUNCED ON 4 FEB. THAT SAG
HAD AGREED TO PAY INTEREST AND PRINCIPLE OF \$10 MILLION
1970 LOAN TO YARG FROM BANK OF HOLLAND.

2. NEWSPAPER QUOTED ASNAJ AS THANKING SAG FOR "LAVISH"
AID AND SUBSEQUENTLY, CABINET VOTED SPECIAL THANKS TO
SAG FOR PICKING UP TAB.

3. ACTUALLY WHAT IS INVOLVED, ACCORDING TO JAGHMAN, IS
TWO LOANS WHICH DUTCH BANK IN JIDDA MADE TO YARG AT SAUDI
REQUEST IN PERIOD PRIOR TO RESUMPTION DIPLOMATIC
RELATIONS IN 1970. SAUDIS, APPARENTLY, PREFERRED
INDIRECT FINANCING TO DIRECT GRANT IN INTERIM PERIOD
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WHEN SOME CONDITIONS OF RECONCILIATION WITHIN YEMAN

AND BETWEEN GOVERNMENTS WAS STILL IN PROCESS. SAG
NOT ONLY GUARANTEED LOAN, HOWEVER, BUT IT WAS CLEAR THAT
THEY WOULD ALSO PAY IT. COST OF LOANS, WITH INTEREST,
IS CLOSER TO \$15 MILLION, SAID JAGHMAN.

COMMENT PAYMENT OF LOAN BY SAG MEANS LITTLE IN REAL
TERMS TO YARG BUT FOR SAUDIS IT RAISES WHAT THEY ARE
PUTTING ON TABLE AS YARG BUDGET SUPPORT THIS YEAR FROM
\$60 TO \$75 MILLION. PSYCHOLOGICALLY, SAG MOVE WILL
HAVE VERY GOOD EFFECT HERE, AS SYMBOL THAT RELATIONS
ARE BACK ON TRACK AND GAINING SPEED. THIS IS IMPORTANT
BECAUSE PROJECT AID OF SAUDIS, WHILE PROMISED AT LEVELS
WHICH EXCEED \$1 BILLION, NEVERTHELESS HAS BEEN HARD
TO CRANK UP. WE ESTIMATE THAT DISBURSEMENTS IN THIS
CATEGORY MAY BE AS LOW AS \$20 MILLION THIS FISCAL YEAR.
RANSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, DEVELOPMENT LOANS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANA00395
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760047-0753
From: SANA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760271/aaaackvi.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUN 2004 by BoyleJA>; APPROVED <05 OCT 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SAUDI ARABIAN GOVERNMENT PAYS OFF YARG DEBT BEGIN SUMMARY: SAG PAYS OFF YAR DEBT, UPPING AID DIS-
TAGS: PFOR, EFIN, EAID, YE, SA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006